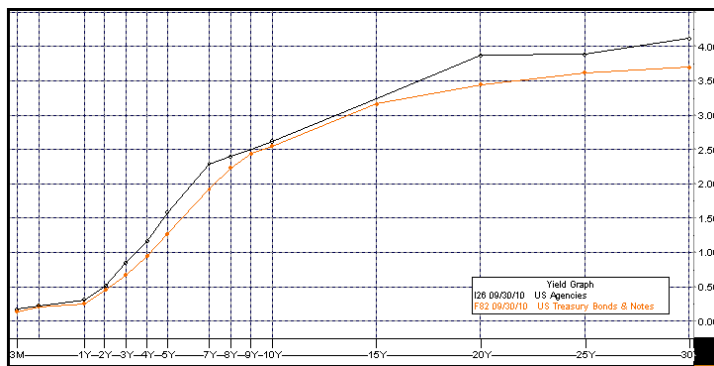


Manufacturing Expands for a 14th Consecutive Month

The Institute for Supply Management's (ISM) manufacturing index fell as expected to 54.4 during the month of September from 56.3 in August. Readings above 50 suggest growth, and the manufacturing sector has been above 50 since August of last year. September was the slowest pace of growth in 10 months in manufacturing, an indication that the recovery will remain subdued in the final quarter of 2010.

Yield Curves (Agency vs. Treasury)



Source: Bloomberg

Our Methodology

The Federal Open Market Committee (FOMC) met on September 21, 2010 and maintained its current stance on interest rates. Specifically it kept the fed funds target rate at 0 to 0.25 percent target range with the statement that economic conditions "are likely to warrant exceptionally low levels for the federal funds rate for an extended period." The FOMC stands ready to add more stimulus to the economy through the purchase of additional Treasury securities in what is referred to as quantitative easing. The market is anticipating another round of quantitative easing by the FOMC as soon as November 2010 and as a result interest rates have declined across the yield curve over the last few weeks. The market is not anticipating a rise in the fed funds target rate until 2012. Therefore, the yield on money-market type investments remains at record low levels. We will continue to concentrate on high quality, liquid investments while adhering to our long standing objectives of safety, liquidity, and yield.

Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q2 '10	1.7%
GDP YoY	Q2 '10	3.0%
PPI YoY	Aug '10	3.1%
CPI YoY	Aug '10	1.1%
Jobless Rate	Aug '10	9.6%
Fed Funds Target	Sep 21 '10	0 - 0.25%

Source: Bloomberg

Treasury Yields

TERM	09/30/10	09/23/10	CHANGE
3-Month	0.17%	0.15%	0.02%
6-Month	0.20%	0.20%	0.00%
1-Year	0.25%	0.24%	0.01%

Source: Bloomberg

Agency Yields

TERM	09/30/10	09/23/10	CHANGE
3-Month	0.19%	0.19%	0.00%
6-Month	0.25%	0.25%	0.00%
1-Year	0.40%	0.39%	0.01%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1 Dealers)

TERM	09/30/10	09/23/10	CHANGE
1-Month	0.28%	0.30%	0.02%
3-Month	0.40%	0.38%	-0.02%
6-Month	0.52%	0.63%	0.11%
9-Month	0.71%	0.80%	0.09%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.